

**PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



November 15, 2002

Agenda ID #1378

TO: PARTIES OF RECORD IN APPLICATION 01-06-029

This is the draft decision of Administrative Law Judge (ALJ) Vieth. It will not appear on the Commission's agenda for at least 30 days after the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on the draft decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the draft decision as provided in Article 19 of the Commission's "Rules of Practice and Procedure." These rules are accessible on the Commission's website at <http://www.cpuc.ca.gov>. Pursuant to Rule 77.3 opening comments shall not exceed 15 pages. Finally, comments must be served separately on the ALJ and the assigned Commissioner, and for that purpose I suggest hand delivery, overnight mail, or other expeditious method of service.

/s/ ANGELA K. MINKIN for  
Carol Brown, Interim Chief  
Administrative Law Judge

CAB:sid

Attachment

Decision **DRAFT DECISION OF ALJ VIETH** (Mailed 11/15/2002)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Wild Goose Storage, Inc. to  
Amend its Certificate of Public Convenience and  
Necessity to Expand and Construct Facilities for  
Gas Storage Operation.

Application 01-06-029  
(Filed June 18, 2001)

**OPINION GRANTING IN PART AND DENYING IN PART  
PETITION FOR MODIFICATION OF DECISION 02-07-036****Summary**

We grant, in part, and deny, in part, the petition for modification of Decision (D.) 02-07-036 filed by Pacific Gas and Electric Company (PG&E). We defer until November 1, 2003, the date by which PG&E must complete modifications to its computer system to enable pro rata allocation of “as available” transportation capacity on its major transmission pipeline if that capacity should be over-nominated by potential customers. November 1, 2003 is a reasonable date since that is when Wild Goose Storage, Inc. (Wild Goose) anticipates its gas storage expansion project will be operational. However, if PG&E completes its system modifications before November 1, 2003, PG&E shall place the modified system in service sooner, and we require monthly status reports so that we may monitor progress. As an interim, contingency measure, we authorize PG&E to use a simplified, manual system for pro rata allocation, should such allocation be necessary before the Wild Goose expansion project is operational. Under general rate case (GRC) principles and the provisions of the *Gas Accord*, which we recently extended at PG&E’s request, PG&E should be

responsible for the costs associated with implementation of this pro rata allocation regime and we deny PG&E's request that we place the cost responsibility on other parties.

**Procedural History**

D.02-07-036 authorizes Wild Goose to expand its gas storage facilities subject to the conditions enumerated in the decision. On September 3, 2002, PG&E filed a petition for modification of D.02-07-036. On October 3, the following three parties filed responses that oppose the petition: Wild Goose, the Commission's Office of Ratepayer Advocates (ORA), and jointly, Lodi Gas Storage, L.L.C. and WHP Acquisition Company, LLC (Lodi). On October 15, PG&E filed a reply.

**Factual Background**

As approved by D.02-07-036, the Wild Goose expansion will add 15 billion cubic feet of storage capacity to the existing Wild Goose storage facilities in Butte County and will provide a second interconnection with the PG&E system for natural gas storage injections and withdrawals. This second interconnection will provide the expanded Wild Goose facility with access to PG&E's Line 400/401, which forms part of PG&E's major transmission pipeline, known as the "backbone."

According to the evidence underlying D.02-07-036, the PG&E backbone should have sufficient as-available (or "interruptible") capacity to satisfy demands from all customers for that capacity, whether for the purposes of injecting gas into storage at either the Wild Goose facility or the Lodi facility, or for other transportation purposes. However, during peak periods for storage withdrawal, as-available capacity on the PG&E backbone may be insufficient to meet the demands of all potential customers for that capacity. D.02-07-036

establishes the following guidelines for the allocation of as-available capacity among all transportation customers, including those withdrawing gas from independent storage, should constraints occur:

- Pro-rationing should compare the as-available transportation nominations on the backbone system from independent storage customers to the total non-storage as-available transportation nominations (i.e., deliveries to local transmission should not be factored in as they do not affect constraints on the backbone);
- Pro-rationing should occur at each nomination cycle during the day based on the backbone system capacity available at that time;
- The non-bumping rule (PG&E's Gas Rule 21.B.3) should be honored;
- Prorationing between storage withdrawals and other as-available transportation capacity should be based on the volumes nominated, not on the price bid for that capacity (since, for example, storage may have been injected many months beforehand at a different price than the current market price). (D.02-07-036, *mimeo.* at p. 33.)

D.02-07-036 directs PG&E to revise its tariff to comply with these pro rata allocation protocols and to file the proposed revisions within 45 days. PG&E's tariff proposal is the subject of Advice Letter (AL) 2408-G, also filed on September 3, which is being reviewed separately from this petition. Today's decision does not decide the issues raised by that AL.

**Discussion**

Rule 47 of the Commission's Rules of Practice and Procedure<sup>1</sup> governs petitions for modification of Commission decisions. As relevant here, Rule 47 provides: “A petition for modification must concisely state the justification for the requested relief and must propose specific wording to carry out all requested modifications to the decision ...” (Rule 47(b).) PG&E’s petition substantially complies with the procedural requirements of Rule 47, since it includes a declaration in support of the alleged changed facts and proposes specific wording changes to Ordering Paragraph 22 of D.02-07-036. Below, we address the petition’s merits.

The petition asks for three things. First, claiming that PG&E needs nine months more to develop, test and debug the new computer software necessary to prorate constrained as-available capacity consistent with D.02-07-036, the petition asks that the Commission formally defer the operational date until November 1, 2003, which is the date that Wild Goose’s expansion project is expected to be in service. Second, should there be a need to prorate as-available capacity before November 1, 2003, between customers who want to use it for gas storage at the Lodi facility and those with other gas transportation purposes, PG&E requests authority to implement a simplified, manual process, on an interim basis. Third, PG&E seeks a Commission order that Wild Goose and Lodi must pay for costs of the system modifications needed to implement proration, which PG&E estimates at \$1 million. The basis for all of these requests is PG&E’s

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<sup>1</sup> Unless otherwise indicated, all subsequent citations to a Rule or Rules refer to the Commission’s Rules of Practice and Procedure, which are codified at Chapter 1, Division 1 of Title 20 of the California Code of Regulations.

assertion that the cost and lead-time necessary to comply with D.02-07-036 are significant and that no evidence of either was introduced at hearing. PG&E argues that fairness requires that we grant each of its requests.

We grant PG&E's request to defer the operational date for its computerized system to prorate as-available capacity. PG&E's petition includes the supporting declaration of Benjamin C. Campbell (Campbell), a manager in its gas transmission department. PG&E asserts that its current computer system cannot accommodate the complexities of prorating as-available capacity among all transportation customers who request it, including customers at two different storage locations, and that it must develop, install and test new software to accomplish this task. We recognize that such an undertaking has an associated lead-time and Wild Goose concedes that there is a window, to November 1, 2003, before the Wild Goose expansion is anticipated to be operational. Therefore, we will defer compliance until that date unless the new PG&E system is ready earlier. If PG&E can place the new system in service before November 1, 2003, it should do so. Lodi suggests that we require PG&E to provide monthly status reports on its progress and we adopt Lodi's suggestion. PG&E should provide each report to the Director of the Commission's Energy Division and serve it on the service list for this proceeding.

We also grant PG&E's request to implement manual proration of as-available capacity prior to November 1, 2003, should an unforeseen, very high customer demand for it make pro rata allocation necessary. We note, however, that the evidence underlying D.02-07-036 suggests that scarce as-available capacity only should become a potential problem with both the Lodi facility and the Wild Goose expansion facility operational, and then, only during times of peak withdrawal. Though Wild Goose does not argue that we should reject this

interim approach, it questions, rhetorically, why a manual procedure can be designed to implement pro rata allocation on an interim basis yet full implementation will require an expenditure of \$1 million and take another nine months. While the question is interesting, we do not need to reach the answer in order to resolve PG&E's request. Logically, as PG&E claims, the calculation of a proration regime involving a single storage site (the Lodi facility) should be simpler than one that also includes the Wild Goose facility. While we agree that a contingent, interim arrangement makes sense, we reiterate that if PG&E's upgraded system is ready before November 1, 2003, we expect it to go into service at that earlier date.

PG&E's third request is the only truly contentious issue—Wild Goose, Lodi and ORA all oppose it. PG&E argues that the costs of revising its computer system, to prorate as-available capacity among all customers if the demand for such transportation exceeds supply, should be borne by Wild Goose and Lodi. PG&E equates these costs, which the Campbell declaration estimates at approximately \$1 million (though it does not document the cost components), with certain interconnection costs that Wild Goose and Lodi agreed to pay when their storage facilities became operational in 1997 and 2001 (i.e. the computer system upgrades necessary to process nominations for independent storage).

PG&E's analogy is flawed. The interconnection costs in those proceedings were facility-specific and were negotiated by the parties concerned. In this proceeding, the parties asked the Commission to resolve their dispute and we determined that the Wild Goose expansion project's interconnection with the PG&E backbone will be a second interconnection and that Wild Goose must pay for the related interconnection costs. Our determination to require pro rata allocation of constrained as-available capacity is a separate issue and does not

change our requirement that Wild Goose must pay to interconnect its expansion facilities with PG&E's system. Likewise, D.02-07-036 does not change Lodi's obligations under its negotiated interconnection agreement.

However, contrary to the assertions in PG&E's petition and reply, the computer system upgrades PG&E now seeks to recover cannot be wholly attributed to either Wild Goose or Lodi but are the costs necessary to make PG&E's transmission system serve all customers for as-available transportation, in keeping with the nondiscrimination policy established by the Commission's Gas Storage Rules, which require nondiscrimination between customers of independent gas storage and other gas transportation customers.<sup>2</sup> As ORA notes, the costs of implementing computerized allocation protocols are not extraordinary costs, but rather "part of normal operations costs for which PG&E does not receive incremental cost treatment, because they are encompassed in PG&E's revenue requirements set in its general rate case (GRC)." (ORA response at p. 2.) ORA asserts that PG&E has received sufficient ratepayer funds to cover the costs of a \$1 million computer system modification.<sup>3</sup>

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<sup>2</sup> *Gas Storage Decision*, (D.93-02-013) 1993 Cal PUC LEXIS 66, Adopted Rules for Gas Storage Service. See also D.02-07-036, mimeo. at pp. 29-33, which discusses application of Gas Storage Rules 3.1, 3.2, 4.1, and 4.3 in this proceeding.

<sup>3</sup> ORA also refers to its protest in Application (A.) 02-06-019, PG&E's recent attrition revenue adjustment filing, in which ORA alleges PG&E has under spent its GRC and attrition allowances for the year 2001 in the areas of O&M, A&G and Customer Accounts by approximately \$110 million. (*Ibid.*)



ORA also argues that PG&E should be at risk for such incremental costs under the terms of the extended *Gas Accord*.<sup>4</sup> Wild Goose makes the same argument and, like ORA, notes that PG&E was a primary proponent of the extension which continues the existing rate structure and conditions of service for PG&E's gas transmission system to December 31, 2003 and for its storage system to March 31, 2004. We agree that PG&E should be responsible for the costs of the pro rata allocation system since these upgrades will enable PG&E to operate its backbone transmission system to serve all customers in a nondiscriminatory way. In fact, we stated in D.02-07-036 that we view the cost allocation principles articulated in the decision to be consistent with principles "found in the *Gas Accord* (D.97-08-055) or underlying the current, standard operating procedures on PG&E's system." (D.02-07-036, mimeo. at p. 33.)

As Lodi's response notes, the evidence underlying D.02-07-036 established a defect in PG&E's tariffs—they did not address allocation of scarce as-available capacity among independent storage customers and other transportation customers. Allocation of scarce as-available capacity during peak demand periods was a central issue in the hearing and in the parties' briefs. We resolved the issue in compliance with the Gas Storage Rules by adopting a variation of the policy proposal Lodi set forth in its opening brief. Neither PG&E's reply brief nor its comments on the draft decision challenged the feasibility or cost of our order. Moreover, PG&E did not raise these concerns in the *Gas Accord* proceeding, though it knew of Wild Goose's expansion plans at least as early as

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<sup>4</sup> See *Gas Accord*, (D.97-08-055) 73 CPUC2d 754, most recently extended by D.02-08-050, *mimeo*.

June, 2001, when Wild Goose filed the application that commenced this proceeding. PG&E's petition fails to allege new facts that militate for a different result or for placing the costs of compliance elsewhere. Placing the cost responsibility on PG&E is fair, but to do otherwise would not be.

**Comments**

The draft decision of the ALJ in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(g)(1) and Rule 77.7 of the Rules of Practice and Procedure.

**Assignment of Proceeding**

Loretta Lynch is the Assigned Commissioner and Jean Vieth is the Assigned Administrative Law Judge in this proceeding.

**Findings of Fact**

1. The Campbell declaration states that PG&E's current computer system cannot accommodate the complexities of prorating as-available capacity as ordered in D.02-07-036 and that PG&E will require approximately nine months to develop and test the necessary software.
2. The Wild Goose expansion is anticipated to be operational on November 1, 2003.
3. PG&E should provide monthly status reports on its progress to update its computer system to the Director of the Energy Division and to the service list in this proceeding.
4. The evidence underlying D.02-07-036 suggests that scarce as-available capacity only should become a potential problem with both the Lodi facility and the Wild Goose expansion facility operational, and then, only during times of peak withdrawal; nonetheless a contingent, interim arrangement for pro rata allocation of as-available capacity makes sense.

5. The calculation of a proration regime involving a single storage site (the Lodi facility) should be simpler than one that also includes the Wild Goose facility.

6. The Campbell declaration estimates the costs of the necessary modifications to PG&E's computer system at approximately \$1 million but does not document the cost components.

7. The interconnection costs that Wild Goose and Lodi agreed to pay when their storage facilities became operational in 1997 and 2001 (i.e., the computer system upgrades necessary to process nominations for independent storage) and the costs of a second Wild Goose interconnection, which D.02-07-036 requires Wild Goose to pay, are all facility-specific.

8. The computer system upgrades PG&E now seeks to recover cannot be wholly attributed to either Wild Goose or Lodi but are the costs necessary to make PG&E's transmission system serve all customers for as-available transportation, including customers of independent storage, in keeping with the nondiscrimination policies established by the Commission's Gas Storage Rules.

9. The costs of implementing computerized allocation protocols for as-available capacity are not extraordinary costs, but normal operations costs funded through GRC proceedings.

10. The extended *Gas Accord* provides a basis for placing the costs of implementing computerized allocation protocols for as-available capacity upon PG&E.

11. Neither PG&E's reply brief nor its comments on the draft decision underlying D.02-07-036 challenged the feasibility or cost of our allocation protocols for as-available capacity.

**Conclusions of Law**

1. The petition to modify complies with the procedural requirements of Rule 47.
2. The petition to modify should be granted, in part, and denied, in part, as further described herein.

**O R D E R**

**IT IS ORDERED** that:

1. The Petition for Modification of Decision (D.) 02-07-036, filed September 3, 2002, by Pacific Gas and Electric Company (PG&E) is denied, in part, and granted, in part, consistent with the following:
  - a. PG&E may defer, until November 1, 2003, the operational date for its computerized system to prorate as-available transportation capacity as ordered in D.02-07-036, but if that system becomes operational at a date earlier than November 1, 2003, PG&E shall place the system in service at that earlier date.
  - b. If proration of as-available transportation capacity between customers of independent storage and other transportation customers becomes necessary prior to the time specified in (a), above, PG&E may implement such pro rata allocation through a simplified, manual system.
  - c. PG&E is responsible for the costs of upgrading or modifying its computer system to prorate as-available transportation capacity as ordered in D.02-07-036.

2. PG&E shall report monthly, in writing, on the status of its efforts to upgrade or modify its computer system to prorate as-available transportation capacity as ordered in D.02-07-036. Each monthly report shall be provided to the Director of the Commission's Energy Division and shall be served on the service list for this proceeding

3. This proceeding is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.